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C O N F I D E N T I A L SECTION 01 OF 02 SINGAPORE 000302

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SUBJECT: SINGAPORE STILL LOOKING FOR A MORE EFFECTIVE JAPAN

Classified By: Economic/Political Section Chief Ike Reed for
Reasons 1.4b and d.

11. (C) Summary: Singapore officials have long believed that Japan should do more to capitalize on its significant aid, trade and investment in the countries of Southeast Asia, noting that China garners more attention with much less effort. Singapore and Japan enjoy close economic and political ties founded on extensive trade and investment links and overlapping strategic interests. A stronger Japan would help Singapore realize two of its own strategic priorities: ensuring that the United States remains fully engaged in Asia and that proliferating regional groupings remain open, inclusive and resistant to Chinese domination. GOS officials are hopeful that a more active foreign policy under Prime Minister Shinto Abe could translate into more effective Japanese engagement in the region, though GOS hopes for a quick turnaround have begun to fade. End Summary.

Little Diplomatic Bang for the Buck

12. (C) Senior GOS officials have long lamented Japan's perceived inability to capitalize on its status as one of ASEAN's largest sources of foreign direct investment (FDI), trade, and aid. MFA Second Permanent Secretary Bilahari Kausikan told a visiting U.S. official that Japan "has done a lot (for the countries of ASEAN) but through clumsy and reactive diplomatic skills has painted itself as the past while China, through adroit and proactive diplomacy, has managed to paint itself as the future." By contrast, China has received glowing reviews for its first small-scale aid projects, Kausikan said. His view was shared by several local ASEAN and Japan specialists at the Rajaratnam School of International Studies (RSIS), who told us that despite the scale of Japan's economic engagement with ASEAN, Japan's efforts garner "no publicity."

13. (SBU) Japan's stock of accumulated investment in the region is massive, and the flow of Japanese FDI is still large, even though it has not kept pace with earlier years and other countries have begun catching up. It supplied 11 percent (\$24 billion) of total FDI in the countries of ASEAN in 2005, making it the second biggest source after the United States. Japan is the ASEAN region's largest external trading partner, accounting for 13.7 percent of total ASEAN trade, a slightly higher level than that of the United States, which was 13.5 percent in 2004. Japan is also a major aid donor in the ASEAN region. Its Official Development Assistance (ODA) accounted for 39 percent (\$896 million) of all ODA flows to ASEAN countries in 2004. RSIS academics believe Japan's limited success in collecting goodwill from ASEAN ODA recipients is due in part to Japan's colonial legacy, which created a sense of entitlement within the ASEAN region, but

also in part to Japan's failure to pursue clear foreign policy objectives.

Close Ties and Shared Interests

14. (U) Singapore and Japan enjoy close economic and political ties and share overlapping interests in the region. Japan was Singapore's sixth largest trade partner in 2005, and approximately 1,600 Japanese multinational companies operate in Singapore. Japan is also a major source of FDI. From 1995-2004, Japan invested \$11.3 billion in Singapore, more than it invested in any other ASEAN country. In 2002, the two countries signed the Japan-Singapore Economic Agreement for a New Age Partnership (JSEPA) which further opened bilateral trade and had the additional aims of encouraging Japan and Singapore "to take a leadership role in Asia" and to strengthen "Japan's engagement in Southeast Asia." Senior officials from the GOS and GOJ regularly visit each other.

15. (C) MFA Japan and Korea Director Alice Cheng told us that, of the countries in the region, Japan's strategic interests were the most consistent and aligned with Singapore's own. The two highest strategic priorities for both countries, she said, were to keep the United States "entrenched" in Asia and to develop an "open and inclusive" approach in the region's emerging institutional architecture. Shared interests underlie cooperation on a range of other security issues. Singapore supported Japan's bid for a permanent UN Security Council seat over China's strong objections. The Japanese Maritime Self Defense Force calls regularly at Singapore's Changi Naval Base, and the two countries work closely on maritime security. Singapore hosts the Information Sharing Centre for the Regional Cooperation Agreement on Combating

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Piracy and Armed Robbery against Ships in Asia (ReCAAP)- a GOJ initiative.

GOS Looking to Leverage Ties

16. (C) Singapore sees Japan as one of the few regional countries with the potential to offset China's growing influence, and would like it to play a more active role in setting the region's agenda. Given its shared interests, the GOS has long seen Japan as a potentially strong diplomatic partner, for example in helping to shape an emerging Asian institutional architecture that will not be dominated by China -- or any other country. MFA's Kausikan told us that Japan had in fact played a critical role in "hijacking the East Asia Summit (EAS) from the Chinese" by working to ensure India, Australia, and New Zealand were included as members.

17. (C) Despite Japan's extensive ODA programs in Indonesia, Singapore contrives to urge Japan to increase its foreign aid to help its huge neighbor strengthen political and economic stability. MFA's Cheng asserted that Japan's "ODA mentality" handicapped the aid programs it did fund -- its first instinct when there were problems with Indonesia was to "throw money" at projects without evaluating broader strategic considerations. Cheng also cited a need for Japan to be more flexible in its dealings with ASEAN. She noted that among some ASEAN countries, Japan was being unfavorably compared with China, Korea, and India, all of which were making significant diplomatic progress with Southeast Asian nations. Citing the stalled ASEAN-Japan FTA talks, Cheng noted that "even" Korea -- an economy with strong protectionist inclinations -- was making more progress on its FTA with ASEAN than Japan, which had been the first to start FTA talks with the organization.

Fading Hopes for a Quick Turnaround

¶8. (C) The GOS was initially encouraged by signs of a more sophisticated and assertive foreign policy under Prime Minister Shinto Abe, including his decision to visit China before the United States and Japan's more proactive approach on North Korea. MFA's Kausikan told a visitor in December that Japan was now heading in the "right direction." Barry Wain, former editor of the Asian Wall Street Journal and now writer-in-residence at the Institute for Southeast Asia Studies (ISEAS), said Singapore welcomed Japan's "new assertiveness," even if it was unsure how long Japan would sustain its more robust approach.

¶9. (C) However, GOS hopes for a quick turnaround in Japan's regional standing are fading. Kausikan said that even with a more assertive foreign policy under PM Abe, Japan's "instinct to be all things to all people" and poorly focused policies toward ODA and ASEAN would continue to limit its influence in the region. MFA's Cheng told us Japanese officials needed a "critical change of mindset" to recognize the importance of strategic engagement before Japan could translate its economic might into political and diplomatic influence in ASEAN. She noted that Japan's recent proposal for a Closer Economic Partnership Arrangement (CEPA) -- an EAS FTA initiative -- was viewed among some other ASEAN countries as a "transparent" and "clumsy" attempt to undercut separate regional FTA initiatives of greater interest to China. Following the EAS and ASEAN Summits in January, MFA ASEAN Director Jacky Foo told us of GOS disappointment that Japan had not followed through on promises to revitalize its stalled FTA talks with ASEAN, even while China had quickly added a services agreement to its existing FTA. MFA North Asia Director Simon Wong recently told us that GOS hopes for a more effective Japanese foreign policy are shrinking as PM Abe's political troubles at home mount.

Comment

¶10. (C) As a small country with big strategic concerns and few close friends in the neighborhood, Singapore has long looked to outside powers, in particular the United States and Japan, to "do more" in Southeast Asia. Singapore's perception of Japan's failure to assume a larger role underlines the importance for Singapore of deep U.S. engagement. While encouraging us, Singapore will continue to work on Japan and to court new friends, notably India, to play major supporting roles.
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